new masses

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THE LOW-DOWN ON

THAT COMING DEPRESSION

By RALPH J. PETERS

ALSO IN THIS ISSUE: Behind Franco's Curtain, by Estelle Manning; Dresses for Eve, a short story by Dan Davis; London Letter, by Derek Kartun; Budapest on the Potomac, by John Stuart; The Judge is Benched, by Virginia Gardner.

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just a minute

WE WERE able to catch no more than a glimpse of the huge New York CIO parade against the Taft-Hartley bill because we had to hurry home to look after our future union member while her mother did the marching for the family. But what we saw—largely Negro and white members of the United Electrical, Radio and Machine Workers—conveyed that sense of power and hope that is rising in all parts of the country. Whatever the fate of the bill—and at this writing President Truman has not yet acted—there will be no peace for those who make war on the people. In city after city AFL and CIO unions have fought together against the slave bill—and the language of unity will not be forgotten overnight. It wasn't a labor fight alone. The wide public response to this issue was indicated by the veto days proclaimed by the mayors of New York, Detroit and other cities and the support for the veto given by the governmental bodies of many communities and by a conservative group like the Social Action Department of the National Catholic Welfare Conference. Who, knowing the strength and the temper of American labor, can believe that any act of Congress can whiplash it into impotence?

One thing that strikes us in viewing the American scene is the way the battle against reaction is cut up into bits and pieces. The trade unions concentrate on the Taft-Hartley bill and ignore the same reactionary trend in foreign affairs expressed in the Truman Doctrine; another group of people hammer away at the Truman world crusade against "communism," but pay little attention to its domestic counterpart: the drive against Communists and other progressives by the House Un-American Committee and the Department of Justice. As a result, each of these issues, which is of transcendent concern to the majority of our people, suffers from being isolated from all the other issues to which in actual life it is linked. And the entire progressive movement suffers from this division.

ONE of the functions of a Marxist magazine like NEW MASSES is to bring all these seemingly disparate struggles into single focus and to illuminate the *common* strategy that must be followed in order to achieve maximum success on any front. That's why we feel that to strengthen NM is to strengthen the cause of progress everywhere.

Though we have ended the public appeals that appeared for four months in each week's issue, our campaign for funds must go on if NM is to survive. But suppose we let N.A.Z. of Los Angeles do the talking.

"I am a T.B. patient in a sanatorium," he writes, "and feel the rage of impotence at the present plight of NEW MASSES. How can progressive people stand idly by while America's surest voice for peace and freedom calls out for help? Woe be to *all America* if NEW MASSES should fall on the field of battle just when we need her most!

"I give you my heart and hand—don't fail us now. Too much depends on your survival. Enclosed is $2. It is as much as I can scrape up from where I lie."

And from J. T., Regina, Saskatchewan, Canada, comes this suggestion:

"I understand how difficult it is to scrape up that dollar or two. . . . But I solved it by putting aside two dimes each day in a little box or bank; and even if a few days are somehow overlooked, there is at least $5 by the end of the month. If half of your readers were to do this, the drive for funds would be over in no time."

A good idea. And don't forget too that a sub to NM helps win friends and influence people as well as keep the wolf from the door.

A. B. M.

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BEHIND FRANCO'S CURTAIN

"There was a deep restlessness among the people, a bristling feeling of fear in the air. . ." A first-hand report on fascist Spain today.

By ESTELLE MANNING

Paris (by mail).

THE smooth-shaven little man in the Spanish Consulate in London leaned over the counter.

"And why do you want to go to Spain?" he said.

"As a tourist," I replied.

"Not as a journalist?" he said.

"No."

"Perhaps you have friends there? Who are they and where do they live?"

"I have no friends there," I said.

"You were in Spain before? During the war perhaps?"

"No, I was never in Spain. I merely want to see the country."

"Very well," he said, a little half-heartedly. "You may pick up your visa tomorrow. But let me warn you that you must stay in touch with the police when you move from place to place. Precautionary measures, you understand."

Two weeks later I stood on a crest of the Pyrenees and looked over the French border into Spain. By a stone hut on the Spanish side stood three *carabineros*, border police, their rifles slung over their shoulders. Their grey overcoats, modeled exactly after the Nazis, were ankle-length.

"They are the toughest police in Spain," a fellow traveler said. He was a little fellow, an American, who made frequent trips to Spain as a representative of an American movie company.

"They have to be tough," he confided. "They say there are *bandits* up in those hills. Some of them have been there for as long as ten years. They come down sometimes to get food." He went on in a hushed tone. "That's when the *carabineros* have to be on their toes."

"And what about Spain?" I said. "What about the people there? Do they like Franco?"

"Well," he said, "some of them do and some don't, but everything would be all right here if other countries would just leave Franco alone. He's not a bad sort. And, after all, he *is* saving the country from communism. The firm I represent is allowed to conduct its business as usual."

By that time, the Spanish taxis had arrived to take us down the mountainside to Port-Bou and the little man scurried off to attend to his luggage.

At the customs shed, an official gave me a "*triptico*."

"You must take the *triptico* to the police as soon as you arrive at your destination," he said. "And when you leave a city, you must check with the police for permission. The police must know at all times just where you are staying."

I nodded.

"You are a tourist?" he said.

"Yes."

"But your passport says you are a journalist." So it was beginning again.

"Yes, that is my profession," I said wearily.

"But you will not write while you are here?"

"No."

The official smiled faintly. "All right," he said. "Be sure, otherwise. . . ." I walked away.

AT FIRST glance, Barcelona seemed a serene enough city. People went to and from work, they paraded on the Rambla del Centro on Saturday night, they went to the movies and they drank wine at the sidewalk cafes. But there was a deep restlessness among the people, a bristling feeling of fear in the air that I was later to find throughout Spain.

Franco too must have sensed the feeling, for thousands of soldiers, police, civil guards and *carabineros* clogged the streets, moving slowly through the crowds, their rifles flashing in the sunlight. And everywhere—past the expensive shops, past the restaurants that served some of the best food in Europe—was the never-ending parade of beggars. Women, children, men and women of all ages, yellow with tuberculosis and malnutrition, walked aimlessly about searching for cigaret butts, asking for a peseta, or just sitting in the sun.

"Franco does not trust this city," a longshoreman on the docks told me. "He knows that some day we will have the guns and we will fight him again." He pointed to the hills on both sides of the city. "Up there are the cemeteries. During the great purges in Barcelona after the war, Franco tried to fill all those cemeteries. And he succeeded. Sometimes there were

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so many bodies that they left them in the streets. More than half the country was in mourning for those slain by the Falange."

The longshoreman looked across the harbor to a ship tied to the jetty.

"I," he said bitterly, "a soldier in the Republican Army, must now unload ships like that for my living."

He pointed to the American flag, drooping lazily from the mast of a cargo ship. "As long as those ships keep coming here with help for that man, we will stay in misery."

The longshoreman said he earned fifteen pesetas a day (a little more than a dollar). And bread, he said, cost ten pesetas a loaf on the black market, the only place it was available.

"But what about your rent, and clothes for your children, and all the other things you need?" I said.

"What about Spain?" he said simply.

"You want to see how we live?" he went on. "Go to the Barriochino, a section of town up near the hill. But you'd better have a strong stomach. You will not believe what you see up there."

I walked slowly in the sun-filled morning toward the Barriochino, and looked out at the fine harbor, empty except for a couple of tiny trawlers and the American cargo ship. It was a harbor that would hold many ships—ships with food and clothing and materials to build a healthy country. But the harbor, like the city, was rotting under the sun, and the longshoremen stood on the dock looking out to the sea.

In the Barriochino I saw a young man who had set up housekeeping. Against a stone wall that faced the sun, he had hung a blanket to form a makeshift tent. Under it, on the ground, his wife lay sick. On the dirt walk played his two children. They were thin, with swollen bellies, and their eyes shone brightly in their drawn, tubercular faces. The young man sat at the opening of the tent, talking softly to his wife. His face was a dark green color, as if someone had painted it so. The children played in the garbage in the gutter, and occasionally they found something they could put in their mouths and swallow.

The sound of the young man's voice rose and fell in the warm morning air.

From the Barriochino there is a beautiful view of the city and the harbor. And in the spring and summer the sun spreads gently over the streets and makes the sidewalks warm under your feet. But the people living there very rarely look at the view of the city and the sea, and if they notice that the sun is shining, it is only because they can get some warmth from its light. The people there are occupied with only one problem, and it consumes all their time, all their thoughts. It is the problem of keeping alive, from one day to the next.

Further along, on Calle de Pique, several families had formed a "paper village." From the streets and garbage heaps they had gathered bits of paper and wood and had built small huts that stood about four feet high. Some had fashioned chimneys out of scraps of iron. Others were cooking in the gutters. And everywhere were the children, some covered with sores, some with nothing on at all, all with the swollen bellies and the large burning eyes. The children did not run and shout. They sat in the sun and stared listlessly into the street.

FROM the Barriochino I walked to the fashionable shopping section of Barcelona. It was lunch time and along the Rambla del Cataluna well-dressed men and their women sat in the sidewalk cafes, drinking expensive wines and liqueurs. They laughed and talked and when the beggars came to stare at the food they ate, the men shooed them away impatiently.

In the stores was anything the lady wished—from nylons to silverware to alligator purses. Anything—for a few thousand pesetas. The prices would have put many a Fifth Avenue store into the Woolworth class.

At one of the cafes I stopped for a glass of wine. After I had ordered, a thin man with a small wooden box approached me.

"May I shine your shoes?" he said.

"Yes."

Quickly he bent down and started to work.

"You work very fast," I said.

"I have to," he said, not looking up.

"You are able to make a living shining shoes?" I said.

"Yes, better than most." His quick, nervous hands slapped on the polish.

"But it is still not enough?"

He turned his head and looked at the neatly-dressed man at a nearby table. Apparently satisfied that he was not being overheard, he continued. "None of us make enough."

"How long have you been shining shoes?" I said.

"Since the war ended."

"And before that?"

"I was an artist. Just beginning, true,

but I showed promise." He stopped for a moment and then picked up the polish again. "Tell me," he said, "do grown-up men have to shine shoes for a living in the United States?"

"Yes," I said.

"Do they shine shoes in the streets like I do?"

"Yes, many men try to make a living that way, too."

He seemed surprised, then looked again to see if anyone were listening.

"They report you if they hear you talking against the government," he said. "There are hundreds of them who do nothing all day but sit in the cafes and bars and listen to what the others have to say. Then at night the police come and sometimes they are never heard of again."

"What is going to happen in this country?" I asked.

"I don't know," he said. "After the end of your war, we looked for you people to help us. No one ever came, nothing ever happened. And Franco is still here. After ten years of this—after ten years people get disillusioned and discouraged—the ones that don't die of hunger."

"There are so many soldiers," I said, "walking in the streets."

For the first time he smiled. "But they too are not paid enough. And they

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rob and steal in order to feed their families. I heard that one *carabinero* sold his rifle to a guerrilla in the south so he could buy food."

The young man glanced around again.

"That will be one peseta," he said, suddenly very formal. I paid him, and as he walked hurriedly away, I noticed that the man who had taken the table near me was watching him move through the crowd down the Rambla.

IT WAS early morning in Madrid and the sun was shining for the first time after almost forty days of rain. The old women were setting up their little sidewalk stands of matches, lottery tickets and fierce, black tobacco as I walked to an address given me by a friend in Paris.

"This woman," my friend had said, "will tell you about conditions in Spain. She has had a tragic ten years."

Everywhere in the streets were young army officers, snapping along in their Nazi-like uniforms and all looking very much alike, as if they had been issued and not born. The click of their heels was hard in the bright morning air.

Senora B—— smiled when I told

her I brought greetings from her friends in Paris.

"How is it in Paris?" she said.

"Things are hard," I said, "but the country is rapidly getting back on its feet."

"Ah, what I would not give to see it again."

In the parlor of the tiny apartment, over steaming coffee, she began to tell me of the war and of what had happened to her family and herself after Franco had seized power.

"My husband," she said, "was in the Republican Army, and when the war was over he was imprisoned without trial for five years. He was thrown in a jail near here, a jail built for 400 persons. There were 8,000 people there, and sixty out of a hundred came out with tuberculosis. Almost all the others have bronchitis and ear trouble. Every week, even now, my husband must have his ears drained.

"In the winter, the prisoners were not allowed to wear coats. In the summer, for the slightest infringements of the rules, they were made to go without water—sometimes for as long as a week at a time. Those who brought food for the prisoners were never told when their relatives were to be tried and shot. Instead, the guard would simply say, 'It will not be necessary to bring food any more.' "

She pointed to her hair. "You see," she said, "it turned grey during the first three months my husband was in jail—when I didn't know from one day to the next whether or not he would be killed.

"But it is just as bad now. Every day hundreds are shot. When friends get together for a social evening, the police come to check on them to see that they are not holding secret meetings. There are people who live and eat well, but they too are frightened by the wings that touch everyone."

I asked her how the small shopkeepers were faring.

"They are in a peculiar position," she said. "Actually they make more money than most, because they sell on the black market. But the goods they sell must be in turn purchased on the black market. Then the police make them a visit and demand 'protection money.' If they don't pay for this so-called protection they find themselves in jail within the week. And there is no appeal from the 'justice' administered by the Franco courts."

Senora B—— went on to tell of the demoralization of the youth of Spain. "Flying Squads" of boys, members of the Falange youth organizations, she said, roam the streets of the cities in bands of five and six, usually at night. "These hoodlums are free to demand any information from anyone for any reason, and if they are not satisfied with the answers, they have the authority to take the person to police headquarters for further questioning. Of course they are encouraged in this practice by the higher-ups in the Falange. It keeps the people frightened."

I asked her how the people of Spain receive news from the outside world. She herself seemed well informed on international events.

"The Spanish newspapers," she said, "are of course completely controlled by the government. The Falange publishes fifty-two newspapers in Spain and they receive priority on paper supplies and ink. But it is a joke to call the other papers privately owned, for their directors are appointed by the regime, and if they do not please it, they are removed. Last year the non-Falange papers were forced by the government to pay the losses incurred by the Falangist press. They lose money because no one buys them. They tell no news, and print only anti-Soviet and anti-Communist propaganda articles.

"So the only way to find out what is going on," Senora B—— said, "is to listen to the radio. We receive broadcasts from South America, London, France and Moscow, but even these broadcasts are interfered with by the government radio. You see, we are really cut off from the rest of the world."

I asked Senora B—— what the situation was in hospitals and with public works, and her answer gave me the key to the Spanish people's poverty.

"A country like Spain," she said, "that spends seventy percent of its national budget for the maintenance of the military, has little left for anything else."

Then suddenly, as Senora B—— was speaking, the doorbell rang. She sat perfectly still for a moment. The only sound was the ticking of a small clock at the other side of the room. Slowly she got up and went to the door. "I wonder who—" I heard her say.

But presently she was back, smiling.

"It was only the boy with some crackers I ordered," she said.

(*This is the first of two articles. The second will appear next week.*)

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THAT COMING DEPRESSION

What has happened to the "accumulated demand" which assured prosperity? An analysis of the economic picture today.

By RALPH J. PETERS

THE other day Winthrop W. Aldrich, head of the Chase National Bank, stated at a meeting of the International Chamber of Commerce in Montreux, Switzerland, that a "corrective recession" may be on its way in the United States, but it would not "degenerate into a depression."

Recently President Truman told a press conference that he did not think we would have a depression. But only a week earlier the President had said that if prices did not come down we would have a recession.

Amid these conflicting reports it is difficult for the average person to know where the truth lies. But rising unemployment, which in New York City, according to a CIO survey, has now reached 450,000, is a barometer which indicates a decided chill in the economic weather. As a matter of fact, this depression or "recession" or "setback" or "shakeout" has been haunting the professional economists for many months. And as you see, they have thought up a lot of fancy names for it. I would award the prize so far to "cathartic readjustment," which combines the tragic connotations of ancient Greek drama with the prosaic modernity of Ex-Lax.

The business economists have constituted themselves into a grim Optimists' Club. They may expend a lot of ink and verbiage on the coming depression, but they have a magic formula which relieves them of all serious fears. This magic formula is "accumulated demand." So many needs accumulated during the war, they say, that industry can go on full blast almost indefinitely.

At first "accumulated demand" was going to keep us from having any depression. Now that declines have developed in certain areas of business activity, "accumulated demand" is going to prevent the depression from becoming a bad one.

What has happened in housing exposes the hollowness of the "accumulated demand" talk. Certainly the need for housing among millions of citizens is enormous. And housing construction was counted on to be a main pillar of continuing prosperity. But it has turned out that housing is one of the first sectors of industry where the slump has set in. In a recent interview US Commissioner of Labor Statistics Ewan Clague gave figures which showed that the number of houses started this April was considerably less than in April 1946.

It has always been the capitalists' claim that if freed from harassing government controls, they would fill the demand for housing and every other need of the public. But when they were relieved of the confinements of OPA, the various building supply corporations pushed up prices as high as the market would bear and then some, until the market would bear it no longer.

The moral to this brief but eloquent story is that accumulated demand is not enough. It is not enough that there should be enormous human needs. Under capitalism it would be a little naive to believe that industry operates to fulfill needs. There must be a profit, and if all the profit is taken out by the exorbitant tribute levied by the material suppliers, then the building contractor won't build houses, no matter how many are needed. And if he builds houses, he won't sell them unless he gets his profit, no matter how many people are doubled up in cramped quarters.

Now *Business Week* adds this consolation: "But here is something to remember: Building put off pending a drop in costs constitutes a backlog to pick up business later."

The full circle has been turned. First the building backlog was supposed to guarantee continuing prosperity. Then it was supposed to keep the depression from being severe. According to this latest dictum, the building backlog will bring prosperity *after* the depression.

WE CAN now get down to a detailed consideration of the present state of our economic health so far as it can be determined from available statistics. The Department of Commerce publishes each quarter a series of estimates that go to make up the Gross National Product. This covers all goods and services bought by the government, business and private consumers. Let us consider the estimates (still incomplete) for the first quarter of 1947 in relation to the record for 1946, and see what we can learn about the prospects of our economic system.

BILLIONS OF CURRENT DOLLARS

	GROSS NATIONAL PRODUCT						
			1946				1947
	1945	1946	1Q	2Q	3Q	4Q	1Q
Gross National Product	199.2	194.0	183.7	190.2	196.6	204.7	209.0
Government Expenditure	83.6	34.7	39.6	36.7	31.3	30.8	31.5
Private Gross Capital Formation	9.1	32.1	23.1	31.4	35.7	37.9	39.0
Construction	2.6	7.9	6.5	8.0	8.3	8.8	8.9
Producers Durable Equip.	6.6	12.8	9.5	12.0	14.0	15.6	15.5
Net Change in Bus. Invent.	—.6	6.5	3.4	4.0	8.6	9.7	5.6
Net Export of Goods & Services	.5	4.9	3.7	7.4	4.8	3.8	9.0
Consumers Goods & Services	106.4	127.2	121.0	122.1	129.6	136.0	138.5
Durable Goods	7.7	14.1	11.7	13.1	15.0	16.7	.....
Non-Durable Goods	65.6	77.3	75.1	74.0	78.3	81.8	.....
Services	33.1	35.8	34.2	35.0	36.3	37.5	.....

(*Source: Department of Commerce, Survey of Current Business. The quarterly figures are at annual rates.*)

These figures enable us to get a sweeping glance at the anatomy of the postwar American economic structure. Let us concentrate first on the changes between 1945 and 1946. The Gross National Product declined from 1945 to 1946. And the major factor was the drop of nearly $50 billion in government expenditures. With the end of the war, the responsibility for maintaining our economic activity at the high rate achieved during the war period devolved upon private industry and individual consumers. But they did not quite make up for the drop in government expenditures even though business spending, or gross capital formation, in-

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m $9.1 to $32.1 billion, and individual consumers pending from $106.4 to $127.2 billion.

so, the rate of economic activity is high and ave increased rather sharply during the latter But since these figures are given in current r increase is more apparent than real due to the rise in prices after the end of OPA price control in June 1946.

Let us turn now to the fourth quarter of 1946 and the first quarter of 1947 to see if we can arrive at any understanding of the possible course of future development. The preliminary estimates for the first quarter of 1947 show a rise to $209 billion. But here again were we to deflate the figure for price rises, there would be a slight decline.

The same can be said about the rise in consumers expenditures from 136.0 to 138.5. It is due to the continued rise in prices and conceals a small decline in volume. What is important to realize is that there has been a general decline in retail trade in recent months and every prospect is for a decline in the dollar volume of consumer outlays. For instance, the Department of Commerce publishes an index of retail trade, eliminating price changes, which shows a decline of more than ten percent between February, 1946, and December, 1946. The basis for this unexpected performance in the realm of retail trade is the steady decline in real wages since the end of the war and particularly since the breakdown of price control. These figures give some indication of what has been happening:

	Av. Weekly Wages In Manufacturing	*Consumer Price Index*	*Real Average Weekly Wages*
June, 1946	100	100	100
February, 1947	108	115	94

This little demonstration taken from Department of Labor data shows that real weekly wages in manufacturing have declined by six percent in the last eight months for which we can get the figures. This is a rapid drop and particularly remarkable when we remember that it occurred during an upswing of industrial production.

Now if we turn our attention to the Federal Reserve Board index of industrial production, we find from its recent behavior that we may very well be at a turning point in its direction of change.

FRB INDEX OF INDUSTRIAL PRODUCTION, UNADJUSTED FOR SEASONAL VARIATION

September, 1946	184	January, 1947	184
October	184	February	184
November	183	March	187
December	180	April (preliminary)	185

After rising from its postwar low of 148 in February 1946, the index reached 184 in September and has hung around that point ever since. It is inadmissible to make any predictions just from looking at the index itself. But we know enough from daily newspaper reports of shutdowns, lay-offs and curtailments of operations to anticipate a further decline in the index when it is published for May and June. Besides, we have a fair indication of what to expect from the way the Department of Commerce indices of manufacturers' new orders and shipments have been diverging.

	Mfg. New Orders	*Mfg. Shipments*	*Mfg. Inventories*
February, 1946	100	100	100
January, 1947	130	150	118

This comparison would indicate that shipments are increasing much faster than new orders, that the present rate of production is eating rapidly into that most tangible part of "accumulated demand" which is actually written down on an order blank in the hands of the manufacturer. The present process of shipping products so much faster than new orders are coming in, and producing more goods than are actually shipped, which go into inventories, cannot continue forever.

It is for all the foregoing reasons that I would consider it

"Quick—look deserving. Here comes Herr Hoover!"

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reasonable to expect a decline in consumer outlay some time in the fairly near future, one that will not be concealed by an increase in dollar volume. I think it would be reasonable to expect a decline of at least ten percent in consumer outlay. That would mean a drop of $13.8 billion in the gross national product as estimated for the first quarter of 1947. This should come mainly in the non-durable sector of consumer outlay.

Let us turn now to the category entitled Gross Private Capital Formation. This increased slightly from the last quarter of 1946 to the first quarter of 1947. And the increase is due mainly to a rise in exports. This may be taken as a small indicator of the rising importance of foreign trade and the export of capital, both of which are included under the heading of net export of goods and services. But if we look back at our big table on Gross National Product, we see that the magnitude of foreign trade is still so small compared to consumer expenditures, for instance, that our net export of goods and services would have to increase by an additional fifty percent to counterbalance the modest ten percent drop we projected for consumers' outlay. And how long net exports can plug the gap which has already appeared in net inventory changes and will soon materialize in producers' durable equipment remains to be seen. Never before has our annual net export rate approximated the figure of $9,000,000,000.

Moreover, sometime in the future inventory accumulation will come to a halt. Since there are at latest reports about $20 billion worth of inventories accumulated in the hands of manufacturers and another $13-14 billion in the hands of retail and wholesale merchants, there is always the possibility that inventory accumulation will not only go to zero but to a negative rate, which would mean that something more than $5.6 billion would have to be made up somewhere to plug a gaping hole in the economy.

It can also be taken for granted that the extraordinary needs of reconversion which produced the unprecedented rate of investment in plant and equipment for 1946 will not continue through 1947. It is reasonable to expect a drop of $5 billion in producers' durable goods from the latest reported figure; that this is a conservative expectation is proved by the fact that it would still leave the rate at nearly twice that of the previous record year of 1941.

Now, if we add up all the possible declines in Gross National Product that we have shown to be eminently reasonable—consumers' expenditures, inventory accumulation, producers' durable goods—they total $24.4 billion. Subtracting this figure from the total of $209 billion reported for the 1Q of 1947, we would arrive at a figure of $184.6 billion, which would not look too bad in comparison with 1945 and 1946. But it would look very bad if we made allowance for the fifteen percent price rise since June 1946; that would put it in the neighborhood of $160 billion, as compared to $190.2 for the second quarter of 1946. This would be catastrophic and would mean ten to twelve million unemployed.

Now it must be emphasized that the $24.4 billion decline that we are discussing can very well develop in the ordinary course of events, without any sharp change of direction in economic activity. For instance, it won't take an economic crisis to make big business stop buying Producers Durable Goods. They will stop buying when they think they have enough, as the Steel industry announced recently when it said it would expand no more.

But if and when any or all of the declines start to develop, then there may very well set up a chain reaction unexpected consequences. For example, if our drop in outlay for producers' durable goods shoul it might entail a substantial drop in employm turn would make the decline in consumers' much larger than we projected, because we projected the ten percent decline in consumer expenditures on the basis of declining real wages and not necessarily on the basis of a sudden rise in unemployment.

THE economist who is imbued with New Deal conceptions may interject here the suggestion that if this situation should develop, then the government, even the present one dominated by Republicans, would be compelled to step in and fill the breach by a gigantic program o public works and relief. Perhaps. But let us see what this would entail. The government is already committed to expenditures of $37-40 billion for the year 1947. And this is predicated more or less on the present rate of tax receipts. But if the developments we outline should take place, tax receipts might readily fall by at least $10 billion. Then the government would be deficit financing just to maintain its present commitments and would not even be touching the gaping holes left by the failure of business and consumer spending. Then to maintain economic activity at anything like the present level the government would have to deficit finance to the extent of another $20-30 billion per annum. Such a situation can only be visualized in the case of another war (which is not imminent today) or in the case of another huge New Deal development, dwarfing the first, in which government investment would have to overshadow the sector of private capitalism. This second alternative cannot be expected from the present anti-New Deal government. It is conceivable only as a result of wide popular struggles against monopoly domination of our economic and political life, struggles that would lead to radical readjustments in American class relationships.

The final and most probable alternative is a deep depression, coming as the last terrible act of a long period of economic stagnation and decline.

In view of the difficult times I envisage for the American capitalist economy, what line of action might soften the effects on the people of the approaching depression? The answer is usually found in higher wages, increased social security, and other measures of a New Deal type that will buttress purchasing power.

In addition, I would like to raise the following question Have we not arrived at the point in American economic development when the issue of nationalization of basic industrie should be discussed, not as a distant slogan, but as a concrete demand? For as long as the corporations are powerful enough to nullify by price rises and anti-union legislation the greate portion of any increases in wages, it is only part of the solution to strive for a New Deal type program.

Consider, for example, the national housing shortage Unbridled capitalism has been unable to solve this problem There are no technical obstacles. What stands in the wa is the exorbitant profit requirements of the various privat corporations that have a stranglehold on the constructio industry.

It is the same with our national prosperity. We have rich country and the most skilled workers in the world. Th only obstacle to our prosperity are the exactions levied upo our economy by the small group of men who privatel control our industry and our natural resources.

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Dresses for Eve

In the show room my uncle made it seem like they were doing business in the garden of Eden. But it wasn't exactly Paradise behind the scenes.

A Short Story by DAN DAVIS

WHEN my Uncle Adam meets another dress manufacturer in the morning on the way to the office, he always greets him with a lot of pleasure. But he never says "Good morning," or "Hello," or "How are you?" Instead, as he sticks out his hand, he says, "How's business?" In the dress line they say you can't mix business with pleasure. But that was the way my Uncle Adam got rich. He could mix it.

Even in his show room, where the buyers came in, my uncle made it seem like they were doing business in the Garden of Eden. In fact, that was what the show room was supposed to represent. All around there were potted palms, and rubber plants, and flowers in all colors. From long red boxes hanging from the ceiling green vines dropped down. On one side of the room a big painting covered the whole wall, showing Adam and Eve in the Garden of Eden. Adam was naked except for a tape measure that hung around his neck, and pins stuck out from his mouth. He was holding out a dress to the naked Eve, who stood looking at it with her hands on her hips.

Adam's face was painted to look something like my uncle, and he was even a little bit bald. But the rest of him didn't look much like my uncle because there were too many muscles. Over the top of the painting was my uncle's name, and right underneath it said, "Dresses for Eve, Designed by Adam." This made the designers mad. They said my uncle shouldn't use his name on their creations. Sometimes, when they got mad enough, they got fired. My uncle always wanted his business to be a pleasure.

Still, there was one part of my uncle's business he couldn't make a pleasure. That part was the factory. You could always tell when my uncle was going into the factory by the way his face changed and the way he buttoned his coat. Especially when he had to go in to speak to Abe. Abe was the shop chairman, and to him, business was business, with no monkey business. But my uncle couldn't fire him. He would have to fire the whole shop.

When my uncle gave me a job in his cutting department so I could learn a trade, he painted Abe to me like a Devil. He told me to stay away from Abe and to keep my nose clean, and not to have much to do with the other workers as well. But the way I ran up and down the long cutting table

"Camouflage," drawing by ex-GI Bill Sanders, in Artists' League of America exhibition by veteran members. At ALA's new gallery, 77 Fifth Ave. Included are works by Reinhardt, Hirsch, Loew, Barr, Ambellan, Wynne, Borisov, Toney, Rohowsky and others.

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stretching out the rolls of goods like I had roller skates on, *they* stayed away from me. *All* of them except Abe.

ABE came over to me the first day. The three-quarter of an hour lunch bell had rung and everybody was already washing up, but I was still running up and down by the cutting table. At first Abe just stood near the table and watched me working. I noticed he looked just like the other operators, with a white skin from the factory air, bent over a little bit as though he was still sitting at the machine, and with his clothes full of threads. He had glasses on but he looked over the top of them like they were in the way. He was smiling, almost to himself, it seemed. Then he began to smile like it was at me.

"Boychick," he said, "you want to get us all sick?"

I stopped with the stretch of goods in my hands and with my mouth open as though I should say something. Eventually the words came, and I said no, I didn't want to get anybody sick and why did he say such a thing.

"Because, boychick," he said, still smiling, "if we have to eat and watch somebody else work we get indigestion, and from indigestion comes the worst things."

He walked over to me and put his hand on my arm. It was light as a feather, but warm. "So better go eat," he said. "Better go eat when everybody does and you won't make us sick. Also, you will have a full lunch-time and be able to rest a little bit. Then you won't get sick, too. Go eat. Yes?"

I noddded my head and put down the goods. As I walked to the washroom I could feel everybody looking at me. I didn't know exactly why, but I felt a little bit ashamed.

It was something like the way I felt ashamed when my father sent me to ask my uncle to give me a job. We weren't rich like my uncle and my father always said that was why my uncle didn't like us. But after I told my uncle that I was learning to cut at a trade school, he said that of course he could give me a job, especially since it was very busy in the shop.

When I came back from lunch my uncle was telling Abe that he had to have the lot I was stretching cut out right away. He said that since he also had to get out the style the men were already cutting, they should show me how to use the cutting machine. Abe looked surprised. He said I was just a boy, and it was my first day in the shop, that I would cut myself. But my uncle got very angry and asked who was running the business, and walked out. So I began to cut with the machine, and, like Abe said, I cut myself.

IT WAS a deep cut, and at first I couldn't tell whether I was missing a piece of finger or not. The knife on the machine was so sharp, and went around so fact, you didn't even feel you cut yourself until the blood came out. And soon it began to spill, all over the paper with the patterns on it for the machine to follow. It spread out and made a design like from a spilled ink bottle. Abe came running over and bandaged my hand. Then he led me out to the elevator landing.

The elevator was crowded and my uncle had just gotten in. When he saw my bandaged hand he stepped out to make room for me, clicking his tongue slowly with a noise like from a dripping faucet. He said there was a doctor in the next building who took care of such cases. I got into the elevator and Abe squeezed in with me. As the door closed I heard my uncle ask whether any goods were spoiled.

After the doctor took care of my hand I came back to the shop and Abe told the other cutters that I was lucky, only a piece of pinkey cut off. Then he told me that I shouldn't worry about whether or not my uncle gets his lot out in time, but that I ought to go home and take it easy and come back in the morning. By this time I was ready to listen more to Abe than to my uncle.

So I went out to my uncle's office to tell him I was going home. My uncle was on the telephone and he had his back turned to me. In front of him on the desk, was a big piece of paper with a big blot of blood all over it. I was the paper with the pattern marked on it that I was using when I cut myself. He was straightening it out with one hand while he held the telephone in the other, asking whether he was connected with a textile printing company. Then he said he was mailing them a new design he wanted made up. He said it was an original and they should be careful not to let anyone copy it. As he held the paper up in front of him so the light came through, he said that on the selvedge of the material he wanted printed "Dresses for Eve, Designed by Adam."

I didn't wait until my uncle got through, to tell him I was going home

portside patter

By BILL RICHARDS

News Item: "Newsweek" magazine adds its "expose" of the Communist Party.

Actually there aren't very many Communists in America but there are at least 100,000,000 sympathizers, relatives, union members and thinking people who swell their ranks. The Communists are able to control unions despite the fact that they are a minority. They work themselves into positions of authority by the sheer trickery of devoting their lives to the unions.

Moreover, Communists will stop at nothing. There is a drive underway at the present time to breed Communists with two heads to negotiate with two-faced employers.

The Reds have no allegiance to America. It is an established fact that their first loyalty is to the people. They follow the Soviet line faithfully. If the Russians advocate peace as an alternative to war the American Communists will echo this line. If the Soviets call for a continuing fight against fascism their American cohorts will immediately pick up the cry.

A word of caution. Do not call a person a Communist until you have all the facts. Just because a man advocates a forty-hour week is no reason to assume that he is a radical. He should merely be placed in a more comfortable concentration camp.

Before you join an organization make sure that there are no Communists in it. The Communists are usually right in back of their fronts. If an employer offers his workers thirty cents an hour, the first man to ask for thirty-one is probably an agent of Moscow.

The Communists have already overrun Hollywood. There are dozens of actresses who are radicals. These figures will bear watching. Only the Bolshevistic Johnston Office keeps them from being exposed.

In all fairness to actresses it should be pointed out that some of them aren't as bad as they're painted.

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LONDON LETTER

by Derek Kartun

WE WERE walking along the promenade at Margate, where the Labor Party conference was being held. With me was Pierre Courtade, foreign editor of *l'Humanite*, and a couple of English newspapermen. As the sunlight flashed on the sea and long-legged girls in print beachsuits lounged attractively about, we talked about Social Democracy. I was speculating on the Social Democratic mind; Courtade raised the question of the Social Democratic soul. Altogether it was a gloomy little conversation.

Coming toward us I saw a small, trim figure in a grey suit. As he approached, all alone, I noticed he had a moustache. He looked like one of Margate's shopkeepers out for a little fresh air. It was, of all appropriate people, Professor Harold Laski. A few yards further on there was a large panama hat coming up from the beach. Beneath it as it approached could be plainly discerned the bronzed features of John Strachey, minister for food. Beside him, hatless and indeed hairless, strode Hugh Dalton, in charge of national finances. The Social Democrats of the Labor Party had invaded Margate in force.

Now that the conference is over, speculation, recrimination and argument are waxing furious. How did Bevin secure such an overwhelming personal triumph? What has happened to the Labor "rebels"? Why was the revolt on manpower not reflected, as it logically should be, by a similar revolt on the foreign policy which has produced our manpower shortage by keeping over a million men in the armed forces? Why was the government not tied down to some declaration on dollars, exports and economic planning?

One thing must first of all be said in favor of this year's proceedings. They did not take place like those of a year ago in an atmosphere of rosewater, bouquets and utopian oratory. The Labor Party has had much of the woolly optimism knocked right out of its system by the fuel crisis and the speeches of Will Clayton, the American Undersecretary of State. Dalton, who talked last year of the song in his heart, spoke this year of the desperate need to "close the gap." The gap in question which yawns menacingly before Britain is that between the dollars we now use from the American loan and the dollars Britain will need when the loan runs out. Within twelve months we shall all be standing looking over the edge, holding Mr. Dalton by the hand. We shall ask him what we do next. And he—judging by what he said at Margate—will not be able to tell us at all.

For although he and other leaders sounded a stern warning of the dangers ahead unless we increase our exports, reduce our dollar imports and improve efficiency at home, none of them were prepared to say how it could be done. Dalton declared emphatically that Britain must not rely on another American loan, and he was cheered by the delegates for saying it. Herbert Morrison, Lord President of the Council, said "we must turn out the goods or bust," and he too was cheered. The delegates demonstrated a lively understanding that any future American loan is bound to carry with it political strings which would play havoc with plans for nationalization at home. The deep anxiety that exists throughout the British Labor movement over the increasing dependence on America was plain to be seen among the delegates at Margate. And it is certain that they were disturbed and puzzled by the fact that their leaders posed the problem, explained it, warned against it and shook their fingers at it without telling them what they were going to do about it.

The Labor Party leadership knows perfectly well what are the realities of world power today. They understand that Great Britain is at the receiving end of a mighty American drive for domination of the richest areas of the world. They understand the stubborn facts that have led and will continue to lead America along a path of aggressive expansion which can only spell disaster for Britain unless we reorganize our world trade and shift its emphasis from the dollar areas.

At the same time we have, in order to survive, to maintain protection for our trade with the Dominions. To shift our exports we need, first of all, sufficient exports to shift. And then we need relations of a friendly nature with those countries of Europe with whom we could profitably trade. It is here that the full bankruptcy of Labor becomes evident. For the existence of vast armies denies us the manpower to boost our export industries. And the existence of Mr. Bevin's policies denies us those friendly relations we must have with Poland, Russia, Yugoslavia and many other new democracies. The delegates understood the needs of the situation. It was therefore all the more disappointing to see Bevin dancing rings round them in the debate on foreign affairs.

I IMAGINE that it would be difficult to find a more astonishing display of demagogy than Mr. Bevin's speech at Margate. Every trick in his wide repertoire was used to the full. The bulldog stance, the asides to other leaders on the platform, the sudden, carefully-managed rage, the long, "reasonable" exposition of his case, the sneer, the plea, the halftruth, the untruth. One has to say quite frankly that Mr. Bevin's speech was full of the most monumental untruths. He lied about Greece; he lied about Poland; he lied about Germany. He gave a totally false picture of the position of the troops abroad (it was interesting that from his list of countries from which we would evacuate our forces he carefully excluded India). His speech was anti-Russian. And it said never a word about the Congressional attack on American labor, about American expansion and its dangers for us.

The better Labor delegates, like K. Zilliacus and Tom Driberg, were horrified and said so in their speeches. They, and a small group of rebels, have understood that Ernest Bevin is the most catastrophic Foreign Secretary we have had in recent times. And it needs to be understood that Mr. Bevin has not only been a disaster for the people of Greece and the people of the Middle East (he declared flatly that Britain had no intention of leaving this area); he has also been a disaster for the people of Britain by pursuing a policy which spells economic collapse for this country.

And now Margate is over and the fight for a democratic foreign policy continues. What now has to be done and done quickly in Britain is to clear away the sentimental illusions that the Labor Party has about Bevin and his works. I understand that after their week of labors at the conference many of the delegates took a few hours off to enjoy themselves at the swings and sideshows of Margate's Coney Island. It is reported that they had a very jolly time there and expressed the wish to come again, for this fun-fair is one of the finest in the country. I noticed it as I drove back to the station to take the London train. Its name—blazoned across the summer sky in brilliant lights—is Dreamland.

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BUDAPEST on the POTOMAC

By JOHN STUART

My FRIEND from Saturn rushed into the office and parked himself at the side of my desk. "Look here," he said waving a copy of the Washington *Post*. I could see that he was excited again and that the New York heat wasn't doing him much good. His face was drawn—that big face with its enormous ears which distinguish the Saturnians from the Martians—and his old eye tic was back again. "Take it easy," I advised. "You know that the atmosphere here never does you much good. It always sends your blood pressure up, especially after you've been to Washington. Just relax." But what I said didn't help to calm him. "I have a story to file for my paper back home," he replied. "The next interplanetary ship leaves in three hours. So don't give me any of your grandmother's advice." At that point he shoved the newspaper on the desk and all I needed to see were the letters in the first word of the headline and I knew what caused his high tizzy.

"So this time it's Hungary." "Yes, Hungary, and what about it?" he roared at me. I tried to remind him of our last meeting when he nearly blew his top about Yugoslavia. It was only a few months ago. . . .

"But what's that got to do with Hungary?" he demanded.

I refused to answer that one for the moment. "Where have you been getting your information about Hungary?" I asked.

"From the Department of State." This he uttered very formally and I thought a little too sanctimoniously.

"So you've been to the Department of Hysteria again," I said. "You know that Secretary Marshall doesn't like 'overdoing the truth.' That's a phrase he used last week before a Senate Appropriation Committee when he reported what his ambassador to Moscow thought of American broadcasts to Russia. But that's neither here nor there."

"You bet it's neither here nor there," he said. "My informants in Washington tell me that this is a Communist coup and that Nagy's resignation was forced by a minority party in order to communize the country."

"That's what you heard in Washington. But what you didn't hear is the inside story of Nagy's connections with what the Hungarians call, out of diplomatic politeness, 'certain foreign circles.' You Saturnians ought not to pay too much attention to the niceties of diplomacy. Dean Acheson, who has corresponded with Nagy, would hardly tell you that a large part of the work of Washington's foreign emissaries in Eastern Europe, especially in the Balkans, is devoted to keeping in close touch with every useful political scoundrel. Take the trouble sometime of finding out who are the bosom friends of American officials in Yugoslavia and Bulgaria, in Poland and Austria. But best of all read Bartley Crum's book *Behind the Silken Curtain* for the real lowdown on State Department duplicity and double dealing. He tells that story in connection with Palestine, but the moral code of the Truman doctrinaires is the same everywhere. The few honorable exceptions don't stay in their jobs very long. My opinion is that the hysteria over the Hungarian business—an hysteria deliberately contrived—is to cover up the State Department's connections in one way or another with anti-republicans in Hungary."

"That's a long speech and I haven't time for long speeches," my friend from Saturn insisted. "I agree," I answered, "but unless some long speeches are made the short ones are going to do terrible damage."

"No one can tell me that the Americans are against a republic," he went on. "They live in one themselves." "That's true," I said. "But Washington is opposed to certain kinds of republics. It likes the republic of Argentina but it doesn't like the republics of the Soviet Union. It likes the republic of China but not of Hungary. It's what's in the republics and what makes them tick that counts. And Washington simply doesn't like a republic over which it will have no control and which will act independently of American oil companies and American bankers."

"Yes, but that doesn't answer my question about the Communist coup. Just because the American State Department likes only certain type of republics does not make right what the Communists have been doing," he said. And as he said it he smiled as if to say crack that one, my boy.

"Be assured," I started to say when he interrupted: "Don't assure me, just give me the facts." "Fine," I said quickly. "I'm glad to hear that the facts count with you. That would be hard to tell from the nervous state you're in. But you'll have to listen to a long speech again."

He nodded reluctantly. "In the first place," I continued, "American officials have known right from the beginning what the arch tories, the diehard Horthyites of the Hungarian Smallholders Party have been up to. Washington's demand for an examination of the documents is sham, pure sham. Did you know that some members of the Smallholders Party have been on trial in Budapest for the last several months? These trials have been open, public affairs with all the rules of evidence that are observed in any American courtroom. American officials knew about these trials. They knew about the charges and they knew the evidence. They would like us to believe that they knew nothing because that suits them at the moment. When it became clear that those on trial were engaged in a conspiracy to overthrow the republic, when they began writing signed confessions, a demand rose up within the Smallholders Party itself that it be purged and overhauled. Other parties demanded the same thing."

"That's your story," Mr. Saturn interjected. "Where's the proof?"

"WELL," I replied, "I have it straight from the horse's mouth." And with that I walked into the library and took from the shelf some recent issues of the *Daily Reports* of the foreign radio broadcasts issued by the Central

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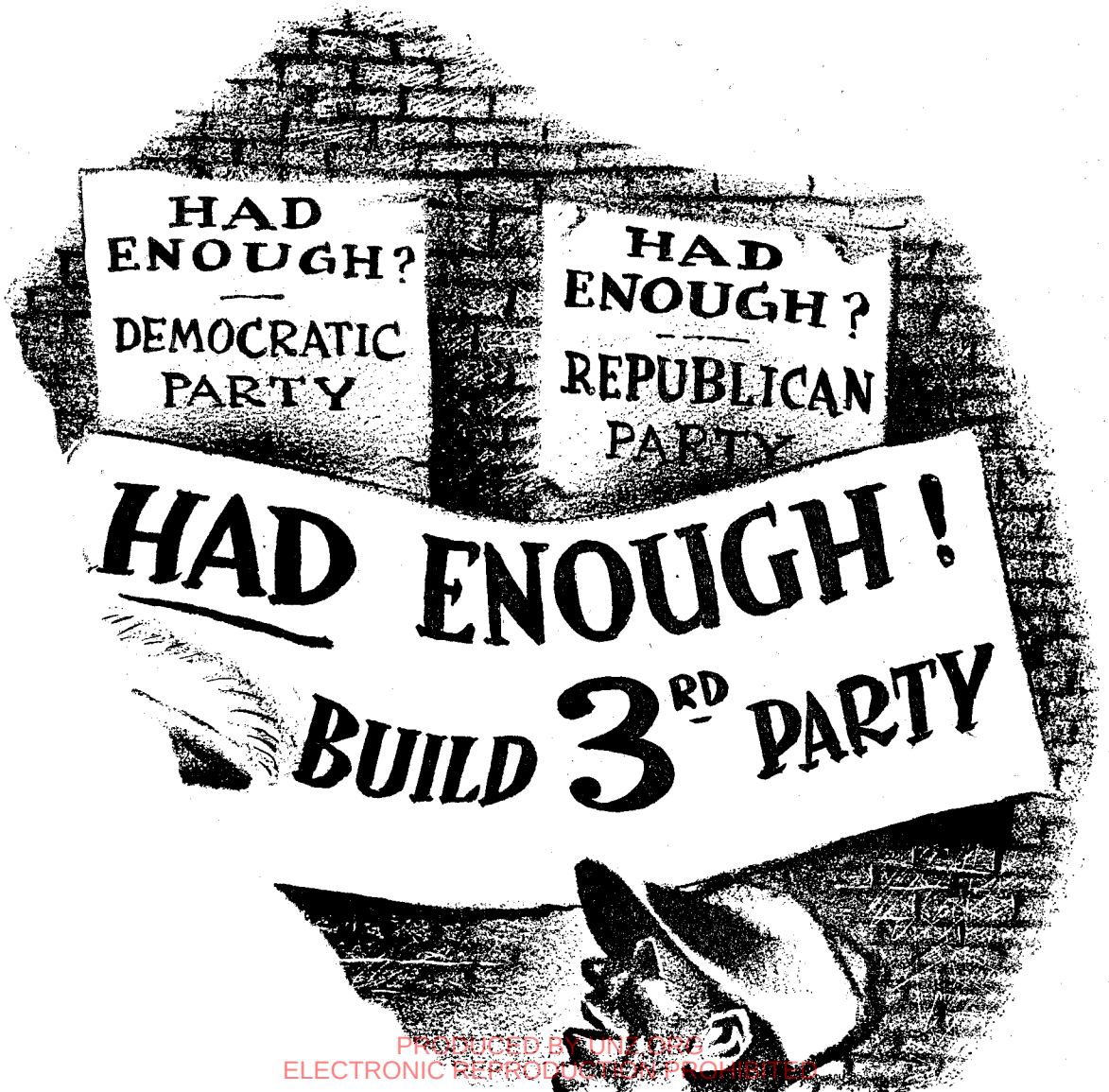

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Intelligence Group in Washington. They are available to anyone on request. "Here," I pointed to one of the reports, "is the issue for June 3, 1947." And I began to read aloud quotations from three Hungarian newspapers. "This is what *Kis Ujsag*, a Smallholders Party newspaper, says: 'He [Nagy] caused great harm to the Smallholders Party by exposing it to severe upheavals.' If that isn't satisfactory, listen to what another newspaper of the Smallholders Party, *Reggel*, says: 'The process of purification and the era of consolidation has begun. An end has been put once and for all to the policy of adventurers. The ghosts of the past can never again be resurrected."

"What about other parties?" my friend from Saturn inquired.

"All right. Other newspapers said practically the same thing but I think you will be interested to know what another non-Communist paper wrote not only about Nagy but about the newspapers of other countries farther west. This comes from the Hungarian Socialist paper *Vilagossag*: 'The political crisis and the resignation of Nagy evoked confused comments in the press of many countries because in more distant lands people were unable to form a clear picture of the Hungarian political situation. Some news agencies published slanderous and wilfully misleading articles. . . . The British press too began to carry excited and biased comments on possible developments, but after the quick and constitutional solution of the crisis the majority of the British press has resumed its factual and favorable tone.' "

"Uhmmm," said my nervous listener.

"Uhmmm, my eye," I snapped back. "That's why I say this hysteria stirred in Washington is an enormous fake. Not even in England will you find it. In fact what you will find there is considerable caution. Too bad you didn't pick up a copy of the *Times* of London when you were in Washington—you know, the paper that has been competing with the *Times* of New York in demanding that their government annex all the planets. You've complained about it to me several times. The London *Times*, whose every edition

fan across the room was hard to say. But I noticed writing in those peculiar hieroglyphics that make Saturnian language.

"What have you got there?" I inquired.

"I was just jotting down my next question. Y long I'm liable to forget what I want to ask. Tel can the United States gain from intervening o Nagy? I don't get the motive of all this. After all States has given Hungary fairly large loans. A lend somebody money you don't like to stir their backyards."

"Good question," I replied. "Only y answer because it won't square heard in Washington.

"The point about all this is, why has tender in the past year with Hungary, Balkans the State Department has wi made with the rough talk?"

"Oh, let's not use this jargon," he

"Very well, let's not. Let's use my map and there was Hungary Czechoslovakia, by Yugoslavia in the east, and in the west by Aust the story, motive and all. If H a power center of reaction s neighbors, particularly if sh ment—like Greece or Tu man Doctrine largess fro be used as a wedge ag Bucharest and Bel of private banke foreign invest

"And Hu omy is not which the

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